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BUSIN

BAER CO. 'BLOCKING' SHOCKING TO SWISS

But Officials in Zurich Refuse to Make Any Comment Now Fearing Misconstrual

BANK'S INVESTORS PANICKY

Many Seek to Transfer Their Accounts But Rival Houses Mostly Refuse Them

By GEORGE H. MORISON

Special to THE NEW YORK TIMES.

ZURICH, March 23—As the United States Treasury so far has given no specific reason for suddenly blocking all the assets in America of the Swiss banking house, Julius Baer & Co., of Zurich, all official quarters in Switzerland declare it would be premature to express any views because they are all apt to seem like resentful criticism.

Nevertheless, as all competent authorities point out, the shock to public opinion is unmistakable. Julius Baer & Co. has denied ever having knowingly committed any offense against American regulations concerning trade with countries behind the iron curtain and in particular never engaged in any kind of business with Red China as the American press suggests. Articles in the Swiss press recall that in April last year the United States Treasury, alleging offenses against "trading with the enemy act," blocked all dollar assets in America of the Swiss Peoples Bank with disastrous consequences on what proved to be a purely technical error for which the Swiss Peoples Bank was not to blame.

No Bank Seen Safe

If the practice of inflicting a penalty for an alleged offense before proving or even formulating any charges should become established, prominent Swiss finance experts declare, no European bank would have any adequate safeguards against ruinous injury. The supreme effort now being made in Europe to restore confidence essential to economic recovery would be frustrated.

Immediately after the assets of Julius Baer & Co. were blocked, the dollar rate of exchange in Zurich dropped and since has been very erratic. Investors remember the way many Swiss companies were penalized by blacklisting during World War II without having knowingly committed any fault and without having any means of redress. That might permissibly happen in times of war but, so it is held, ought not to occur in time of peace.

Thousands of European investors whose affairs are managed by the Swiss banks and whose assets remained blocked for years after World War II have been asking the Swiss banks whether American stocks and bonds held should not be exchanged for Canadian or South African securities. All Swiss banks hold American stocks and bonds in their own name in behalf of clients in all parts of Europe who are haunted by the fear that these assets again might be arbitrarily blocked.

Investors Are Afraid

Consequently, many investors, afraid to keep their accounts at any Swiss bank, alleged to have broken American regulations, took steps to transfer these from Julius Baer & Co. to other Swiss banks where, however, sympathy with the Baer company was so strong that most applications for such transfer were rejected.

Although all leading Swiss banks are extremely cautious in expressing any views about the action of the United States Treasury, no hesitation is shown in accepting the assurances of Julius Baer that the bank never wittingly committed any offense against American law and in particular never participated in transactions with Red China.

Since the assets of the Swiss Peoples Bank were blocked just a year ago, Swiss banks have been extremely cautious. Blocking of assets is a drastic measure inflicting damage from which a bank never fully recovers. No Swiss bank could afford to take such risks. If charges against the Baer bank—whatever they are—can not be proved, any other Swiss bank might just as suddenly find its assets in America blocked through no fault of its own.

Without exception all leading Swiss banks profess full comprehension of the aims of the Allies in Korea and have complete sympathy with the efforts of the American Government to suppress all international trade that would prolong the conflict.

Swiss Banks Cite Position

All Swiss banks assert their willingness to do as is desired if American authorities would but indicate clearly just what is wanted. As matters stand—so Swiss bankers say—no plain directives have been given. Experience shows that what one American department allows another American department bars and that in every American department views appear to be constantly changing.

In the United States—so Swiss authorities say—the view is held, quite unjustly, that many products, unable to pass direct to Eastern countries, find their way to countries behind the Iron Curtain by transit deals arranged in Switzerland.

That is vehemently denied here. A gentlemen's agreement, reached early in 1951, has been scrupulously observed since then by Switzerland. All goods whose export to Eastern countries are not desired are classified into two groups.

Exports to those on list one is totally forbidden. Permits to import such goods are issued only when proof is furnished that these products will be consumed in Switzerland. No export permit is obtainable. For commodities on

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list two export quotas were fixed on the basis of exports of former years. These consist chiefly of products like ball bearings and highly specialized machines. Quotas in this class never have been fully utilized because the countries of Eastern Europe which Switzerland traditionally has supplied, have too little to offer in exchange and cannot pay dollars.

Shortly after this gentlemen's agreement was made the Swiss Bankers Association notified all its members of the necessity of extreme caution in financing all export trade and issued a solemn warning of the serious risks involved in any transactions disallowed by the gentlemen's agreement.

In particular, Swiss banks were advised to insist on knowing the final distination of all exported goods and to grant letters of credit only if cover in Swiss francs were available. In the case of non-Swiss products, the banks were asked to insist that the export permit of the country of origin should show clearly for what country the goods were intended.